
FINANCIAL INTEGRITY and STATE MANAGERS ACCOUNTABILITY ACT

**Department of Water Resources
Review of the Systems of Internal Control**



**State of California
The California Natural Resources Agency
Department of Water Resources
Organization Code: 3860**

December 31, 2009

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INTRODUCTION

In accordance with the Financial Integrity and State Managers Accountability (FISMA) Act, the Department of Water Resources (DWR) submits this report on the review of our systems of internal control for the biennial period ended December 31, 2009. DWR is in compliance with California Government Code Section 13400-13047.

Should you have any questions please contact Jeffrey Ingles, Chief Auditor – DWR Internal Audits Office, 916-653-8326, ingles@water.ca.gov.

BACKGROUND

The Department of Water Resources (DWR) protects, conserves, develops, and manages California's water. DWR operates the State Water Project which provides water to 25 million Californians, evaluates and forecasts future water needs and explores potential solutions to meet the ever-growing needs for personal use, irrigation, industry, recreation, power generation, and fish and wildlife. DWR also works to prevent and minimize flood damage, ensure the safety of dams, and educate the public about the importance of water and its proper use.

DWR's mission is to manage the water resources of California in cooperation with other agencies, to benefit the State's people, and to protect, restore, and enhance the natural and human environments. DWR has eight strategic goals which further define the mission and vision.

Goal 1: Develop and assess strategies for managing the State's water resources, including development of the California Water Plan Update.

DWR is responsible for promoting California's general welfare by ensuring beneficial water use and development statewide. To guide development and management of the State's water resources, DWR is responsible for preparing the [California Water Plan Update](#) ([Water Code section 10000 et seq.](#)). The Plan is updated every five years to address challenges currently facing California, such as satisfying the needs of the State's growing population, quantifying water demands and supplies based on sound information, and identifying management strategies to diversify the regional portfolio assets. DWR is authorized to conduct other planning functions, including those related to urban and agricultural water use, fish and wildlife, recreation, groundwater, agricultural drainage, and water quality. It also investigates and identifies water management strategies, such as conservation, water recycling, water transfers, conjunctive management, and structural measures. DWR represents the State on interstate water policy issues concerning the Klamath, Truckee, Carson, and Walker Rivers; it also helps develop interstate water policy on the Colorado River and is designated as the State administrator of interstate water-related compacts.

Goal 2: Plan, design, construct, operate, and maintain the State Water Project to achieve maximum flexibility, safety, and reliability.

DWR operates California's State Water Project (SWP), the largest State-built multipurpose project in the United States. The SWP was designed in the 1950s and 1960s. Initial SWP construction was done during the 1960s and 1970s, with later additions to the system. The SWP, spanning more than 600 miles from Northern California to Southern California, includes 32 storage facilities, 17 pumping plants, 3 pumping-generating plants, 5 hydroelectric power plants, and approximately 693 miles of

canals and pipelines, including the newest section, the East Branch Extension located in Southern California.

DWR operates and maintains the SWP and delivers, on average, 2.4 million acre-feet of water per year to the 29 water agencies who are repaying the cost, plus interest, of financing, constructing, operating, and maintaining the SWP storage and conveyance facilities. Through the SWP, DWR supplies good quality water for municipal, industrial, agricultural, and recreational uses and for protecting and enhancing fish and wildlife.

Goal 3: Protect and improve the water resources and dependent ecosystems of statewide significance, including the Sacramento-San Joaquin Bay-Delta Estuary.

The ability of DWR to meet many of its goals hinges on achieving and maintaining a healthy ecosystem in the Bay-Delta Estuary. Maintaining such an ecosystem requires understanding, collaboration, and reasonable agreement among many partners to resolve Bay-Delta issues.

DWR is collaborating and coordinating with state, federal and local water and fisheries agencies to carry out its responsibilities of protecting habitat, providing water for use in the Delta, planning long-term solutions for environmental issues and water supply reliability, and administering Delta levee maintenance reimbursements and special flood control projects ([Water Code section 12200](#)).

Goal 4: Protect lives and infrastructure as they relate to dams, floods, droughts, watersheds impacted by fire and disasters, and assist in other emergencies.

DWR has the responsibility of protecting public health, life, and property by regulating the safety of dams, providing flood protection, and responding to emergencies. DWR meets these responsibilities through the following activities:

- Continually supervising design, construction, enlargement, alteration, removal, operation, and maintenance of more than 1,200 jurisdictional dams;
- Encouraging preventive floodplain management practices; regulating activities along Central Valley floodways;
- Maintaining and operating specified Central Valley flood control facilities;
- Cooperating in flood control planning and facility development;
- Maintaining the State-Federal Flood Operations Center and the Eureka Flood Center to provide flood advisory information to other agencies and the public; and;
- Cooperating and coordinating in flood emergency activities and other emergencies. ([Water Code section 6000 et seq.](#))

Goal 5: Provide policy direction and legislative guidance on water and energy issues and educate the public on the importance, hazards, and efficient use of water.

Educating the public on the importance of water, its efficient use, and its dangers, as well as collecting, analyzing, and distributing water-related information to the general public and to the scientific, technical, educational, and water management communities are important DWR responsibilities.

Goal 6: Support local planning and integrated regional water management through technical and financial assistance.

DWR provides technical and financial assistance to local agencies; cooperates with local agencies, groups, and individuals on water resources investigations; supports watershed and river restoration programs; encourages water conservation, explores conjunctive use of groundwater and surface water, provides planning and advice on water recycling and desalination programs, administers local assistance grant and loan programs and facilitates voluntary water transfers.

Goal 7: Perform efficiently all statutory, legal, and fiduciary responsibilities regarding management of State long-term power contracts and servicing of power revenue bonds.

During the 2001 energy crisis, the Governor and the Legislature gave DWR the statutory authority to purchase and schedule all electricity used by the three nearly bankrupt major power utilities in the State. DWR used its authority to enter into long-term contracts with power producers to stabilize the volatile wholesale energy market and to provide the revenue certainty needed by suppliers to secure financing for construction of necessary new power plants. DWR has been charged with the responsibility of managing the long-term contracts, including renegotiating their terms and conditions when possible.

Goal 8: Provide professional, cost-effective, and timely services in support of DWR's programs, consistent with governmental regulatory and policy requirements.

DWR programs support the broad areas of fiscal, business, and information technology services, human resource management and legal assistance. It is the responsibility and challenge of the support services programs to meet the needs of the line programs in a legal, ethical, equitable, efficient, cost-effective and service-oriented manner.

VACANT POSITIONS

As of June 30, 2009, DWR had 150 vacant positions out of a total base of approximately 3,000 employees. The vacant positions are allocated between the following divisions within DWR. They are:

Division	Total
Bay-Delta Office	3
CERS	1
Engineering	9
Environmental Services	11
Executive	9
Fiscal	9
Flood Management	26
Intg. Regional Water Mgmt.	4
Management Services	10
North Central Region Office	2
Northern Reg. Office	4
Operations and Maintenance (O&M) Delta	5
O&M HQ	7
O&M Oroville	5
O&M San Joaquin	9
O&M San Luis	5
O&M Southern	4
Public Affairs Office	3
Safety of Dams	7
South Central Reg. Office	3
Statewide Intg. Water Mgmt.	7
SWPAO	4
Technology Services	3
Grand Total	150

DWR is in compliance with California Government Code Section 13405, by taking the following actions:

1. Provide monthly vacancy reports to all DWR Division Chiefs for monitoring their vacancies.
2. Reconcile internal position database with the State Controller's Office (SCO) position roster on a regular basis.
3. Reconcile Schedule 8 every year and work with the Department of Finance (DOF) and SCO to provide additional information if necessary.

RISK ASSESSMENT

DWR's study and evaluation of risk was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors, Inc.

Background

The risk assessment process involved the defining of DWR's strategies, the objectives to achieve those strategies, and subsequently evaluating the risks or threats to the achievement of these objectives. The assigned level of risk associated with DWR organizational units may vary. The risk assessment methodology, as outlined below, enables DWR to quantify the level of risk related to its processes and procedures. DWR's assessment of risk is based on a systematic approach/process encompassing a risk assessment survey (on-line survey and one-on-one interviews), executive management direction and feedback, senior management review of the risk analysis and risk impact ratings, as well as outcomes and professional judgments on the probable adverse areas that could affect DWR. The risks identified from the survey are not a reflection of the quality of current business operations, but rather a reflection of the business risks surrounding DWR operations.

In order to gain a better understanding of the new FISMA requirements, DWR Internal Audits Office (IAO) staff met with members of the Department of Finance's (DOF) staff. DOF conducted training for the IAO in May 2009, by providing an overview of the new FISMA process and answering the questions of IAO staff. In addition, DOF staff conducted FISMA training and follow-up sessions for the DWR Governance Board¹ members in June and October 2009. The training sessions conducted by DOF provided an overview of the new FISMA requirements, the roles and responsibility of DWR and risk methodology. DWR IAO was tasked with coordinating and developing the processes to conduct a risk assessment survey on behalf of the Department. The IAO in partnership with DWR executive management presented and conducted additional training and/or follow-up sessions in Governance Board meetings. Materials developed by the IAO for use in the various training sessions included:

1. FISMA Memorandums
2. FISMA Fact Sheet/Overview
3. FISMA Instruction Sheet for Risk Assessment
4. FISMA Risk Assessment Questions document
5. FISMA Risk Assessment PowerPoint presentations (Survey, Survey Results, and Next Steps)

¹ The Governance Board's role is to establish and guide DWR policies and business practices using a shared decision-making process and ensure that its decisions are effective, efficient, and consistently applied throughout the Department.

6. FISMA Risk Assessment Survey Instruction Sheet
7. FISMA Risk Assessment Survey Results spreadsheet
8. FISMA Corrective Action Plan Instruction Sheet
9. FISMA Corrective Action Plan spreadsheet

Risk Methodology

As directed by the requirements of FISMA, DWR conducted a quality self-assessment of its risks and control weaknesses. DWR's study of risk was conducted from July 2009 to August 2009, using a structured risk assessment survey with forty-three focused questions to gain an understanding of the possible risk elements within DWR. The information gathered from the risk assessment survey was used to quantify the level of risk related to DWR's processes and operations. The survey was designed to discover a view of risks, what controls are already deployed based on information gathered and what areas within the organization should be addressed and corrective action plans implemented. Further, DWR conducted its risk assessment survey to gain an understanding of the risks within the organization, to narrow the identified risks into categories, and to understand risk from the perspective of staff responsible for controlling such risks within DWR. The risk assessment results (gained through the risk assessment on-line survey and one-on-one interview process) will be used by DWR to develop a baseline measurement of our internal controls and for executive and senior management to make informed decisions for allocating resources to address and mitigate any internal control deficiencies.

Risk Assessment Process

The risk assessment process was conducted using an industry accepted methodology which focused on the following:

1. Identification of DWR critical processes and functions.
2. Identification of risks that would impact those processes and functions.
3. Determine how vulnerable DWR is to the risk identified.
4. Prioritize and evaluate the risk to eliminate or reduce the impact to DWR.

Risk Assessment Survey Question Measurement Method

DWR used both the "quantitative" and "qualitative" measurement method when developing the risk assessment survey questions. For the "quantitative" method, the questions were developed using a fixed response, such as Yes-No, multiple choice, as well as a rating scale from 1-5. These survey questions allowed for the respondent to quickly answer the questions presented in the survey and provide a foundation for the survey. For the "qualitative" method, the survey questions were developed to draw a greater response and to allow for the respondent to provide detailed information to the survey questions.

Risk Assessment Survey Questions

Survey questions were developed by the IAO in collaboration with DWR executive management. Questions were reviewed and approved by DWR executive management to provide a reasonable assurance that the questions would be relevant to DWR operations, mission, and values. The survey was designed to provide insight into DWR internal control procedures and processes. In addition, the IAO reviewed risk assessment survey questions from a variety of state agencies and private organizations to assist in the development of the DWR questions and to validate that questions selected represent a clear vision of DWR's goals and objectives.

The forty-three question risk assessment survey was developed using the following criteria:

- Determination of the question content, scope and purpose.
- Selection of the response format(s) to use for collecting information from the respondent.
- Determination on how to word or phrase the question to get at the issue of interest.

The survey questions were divided by topic into five major organizational areas:

1. *Administrative Activities*
2. *Personnel Activities*
3. *Financial Activities*
4. *Information Technology Data Recovery Activities*
5. *Audit Activities*

Survey respondents were not required to answer all questions in the survey, only those that were applicable to their line of business or functionality within DWR.

The five major organizational areas are briefly discussed below:

- *Administrative Activities*: Questions in this section of the survey centered on the goals of the division/office, their impact to the State Water Project major programs and projects, and identify areas that need improvement.
- *Personnel Activities*: Questions in this section of the survey addressed the areas of the number and breakdown by type of staff members in the division/office, the affect on DWR with the number of staff retiring, the percentage of turnover in the division/office, the risks associated with staff turnover and adequate staffing levels, formal succession planning for key positions within the division/office, and if staff is up-to date on minimum job-required training.
- *Financial Activities*: Questions in this section of the survey addressed the areas of the annual budget for the division/office, the three top expenditures under division/office control, exposure to loss or fraud in the past twelve months, the affect of bonds and grants on the division/office, and the if there are adequate safeguards in place, policies and procedures, and segregation of duties.

- ***Information Technology Data Recovery Activities:*** Questions in this section of the survey addressed the areas identifying the documents and electronic files that are critical for the division/office to perform its mission, disaster back-up and recovery plan for criteria data and the most recent test of the system and loss or theft of computer equipment and/or software.
- ***Audit Activities:*** Questions in this section of the survey addressed the areas of when the last time the division/office was audited (internal and external); whether reportable issues have been addressed or corrected from previous audits, and if there were any other risks that were not addressed in the overall risk assessment survey.

Risk Assessment Survey Methods

The risk assessment was conducted by unitizing two survey methods in order to gain a thorough understanding for executive management of the risks or control weakness facing DWR. The survey methods used were:

Survey Method 1 (On-line Questionnaire): Survey questions were distributed to Division Chiefs via an on-line computer access system called Zoomerang. The on-line system allowed for respondents to answer questions from their computer and submit them to DWR IAO for review and analysis.

Survey Method 2 (One-on-One Interview): DWR IAO staff also conducted personal one-on-one interviews with Division Chiefs. This interview approach was used to allow the IAO staff the opportunity to work directly with the Division Chiefs and if necessary (based on answers either from the on-line or one-on-one interview), to probe and/or ask follow-up questions based on responses given during the interview or from the on-line interview. At the conclusion of each one-on-one interview, IAO prepared a interview summary document and presented it to the respondent (Division Chief) for their review and approval.

DWR Organizations Surveyed

DWR executive management determined the method of selecting the divisions/offices to review and evaluate risk. The selection process included; executive management interest, the decentralization of functions, financial impact (budgets, bonds, grants, and contracts), compliance, legal impact, strategic planning, and reputation risk. The organizations selected for the risk assessment survey were:

- ***Integrated Water Management:*** Division of Flood Management, Division of Safety of Dams, Division of Statewide Integrated Water Management, San Joaquin Valley Drainage Implementation Program, and the Division of Integrated Regional Water Management.
- ***State Water Project:*** Division of Engineering, Delta Habitat Conservation and Conveyance Program, State Water Project Power and Risk Office, State Water

Project Analysis Office, Division of Operations and Maintenance and Field Divisions.

- **California Energy Resources Scheduling:** Contracts Management Office and the Financial Management Office.
- **Business Operations:** Division of Management Services, Division of Fiscal Services, Division of Technology Services, and Office of Workforce Equality.
- **Delta and Statewide Water Management:** Division of Environmental Services, and the Bay-Delta Office.
- **Executive:** Security Operations.

Audits Performed

Audits performed at DWR are conducted by the IAO staff and external auditors during the Fiscal Year (FY) 2008-09 and 2009-10. Final audit reports are posted to the Governor's Transparency Website² in accordance with Governor's Executive Orders S-08-09 and S-20-09³.

Internal Audits

DWR IAO staff performed the following internal audits from February 2008 to present.

October 2009: Cash Receivables

This audit was performed as a follow-up to the earlier February 2008 SAM 20000 audit. Audit objectives include cash receipts collection, safeguarding and deposit policies and procedures, adequacy of the separation of duties, the recording of cash transactions and verification, the reconciliation of cash accounts, control accounts and bank statements.

September 2009: Cash Disbursements

This audit was performed as a follow-up to the earlier February 2008 SAM 20000 audit. Objectives include compliance and adherence to established internal controls pertaining to policies and procedures governing cash disbursements encompassing separation of duties, the functional safeguards and due diligence in the review and approval of cash disbursement requests cumulating with the appropriate check signatory authorizations and the proper support documentation.

² <http://www.reportingtransparency.ca.gov/Audits/>

³ <http://www.gov.ca.gov/archive/executive-orders>

September 2009: Office Revolving Funds

This audit was performed as a follow-up to the earlier February 2008 SAM 20000 audit. Follow-up objectives include compliance and adherence with internal controls providing the necessary safeguards pertaining to policies and procedures in the effective administration of, and the overall accountability for advances into, the proper authorization and diligent review of the claims received and the existence of relevant support documentation.

August 2009: Accounts Receivables

This audit was performed as a follow-up to the earlier February 2008 SAM 20000 audit. Objectives include compliance and adherence to established collection policies and procedures, separation of duties, due diligence in the review and appropriate signatory authorizations of account adjustments, delinquent accounts, write-offs together with the proper support documentation.

February 2008: SAM 20000 Audit

A SAM 20000 review was conducted at DWR's headquarters pertaining to the adequacy of its internal controls pertaining to its Systems Application Program (SAP) environment and its internal accounting and administrative controls which is an integral part of its management practices to ensure compliance with the state's Fiscal Integrity and State Manager's Accountability Act of 1983 (FISMA).

External Audits

The following external audits have been performed by various external audit organizations from February 2008 to present.

August 2009: State Controller's Office - Central Valley Water Project Construction Fund

This audit was performed to ensure the accurate accounting for the bond proceeds interest received, the corresponding bond issuance costs and the implementation of the proper accountability and reporting methods.

April 2009: Department of Finance - A Grant Audit – City of Redding – Proposition 13 – SAP Contract 4600003313 - Clover Creek Preserve Project

This audit was performed as an oversight of \$2.7 million in grant proceeds of the Proposition 13 general obligation bond funds to the above said project to ensure the proper utilization of the grant funds according to, and in fiscal compliance with, the specific contractual terms and conditions.

February 2009: Bureau of State Audits – *High-Risk Update-Maintaining and Improving Infrastructure*

The review was conducted to determine the degree of compliance by six state agencies (DWR included) in managing the risks associated in infrastructure investment over the next 20 years pertaining to the Governor's Executive Order S-02-07 encompassing Front-end accountability, In-progress accountability and Follow-up accountability of the various approved bond funds expended to-date.

February 2009: Bureau of State Audits – *Implementation of State Auditor's Recommendations*

DWR was one of the state agencies and state universities included in the special report on the major findings and recommendations.

December 2008: Ernst and Young - *Audit of the Costs of the State Water Project*

An audit of the costs charged to the State Water Facilities as of December 31, 2007 together with an analysis of the costs incurred for calendar year 2008 by DWR.

November 2008: Richardson & Company – *The Metropolitan Water District Of Southern California (MWD)*

An independent audit of MWD's 2009 Statement of Charges and Special Projects Related to Charges and Payments Under State Contract.

October 2008: Bureau of State Audits – *State Agencies Computer-Generated Data Varied In Its Reliability*

An audit assessment of the reliability of DWR's data for the purposes of the Bureau of State Audits' audits in a wide variety of databases and automated spreadsheets.

March 2008: Bureau of State Audits – *State of California Financial Report*

This is the Independent Auditor's Report on the State of California basic financial statements for the fiscal year ended June 30, 2007.

February 2008: Bureau of State Audits – *Implementation of State Auditors Recommendations for Audits Released In January 2006 Through December 2007*

DWR was one of the state agencies and state universities included in the special report on the major findings and recommendations.

EVALUATION OF RISKS AND CONTROLS

Upon conclusion of the FISMA survey, the results were tabulated and summarized (by IAO) for review and approval by DWR's Division/Office Chiefs. These results were then submitted to the Deputy Directors for final review and approval.

A "Risk Assessment Survey" summary document was distributed to each DWR Deputy Director and key Division and Office Chiefs. This summary document accomplishes the following objectives:

1. To summarize the risk(s) identified by the Deputy Directors and Chiefs of the respective Divisions and Offices;
2. To determine the "likelihood of an event recurring" based on a graduated risk-level numerical rating proposed by IAO;
3. To determine, by using a numerical-based "impact rating" system, the potential ripple effect caused by an identified risk within one Division/Office to the other Divisions/Offices operations of DWR and;
4. To identify and categorize similar, or related risk(s) as reported by DWR's Divisions and Offices.

IAO also provided information and instruction documents to facilitate the review and evaluation process for the Deputy Directors and executive management. We have listed our concerns in four general areas, as identified in the FISMA survey.

The FISMA survey also listed other risks facing DWR and state government in general. However, it is felt that some or most of those risks identified can be mitigated to a certain extent via regular effective monitoring, reviews and analysis, the evaluation and updating of internal control processes and the budgeting of adequate resources to provide for the additional training necessary for skill set maintenance and enhancement.

Additionally, some of the risks identified within the FISMA survey lie beyond the scope of the DWR risk assessment and/or jurisdiction and would be better addressed by other state government departments or by the state government leaders.

A. FISCAL

DWR has identified two fiscal-related concerns as follows:

- (1) **General Obligation Bonds and New Bond Accountability Requirements**
Funds received via bonds measures (Proposition 13, 50, 1E, 84) are accounted for and expensed in compliance with the applicable laws and regulations on approved water management and flood control programs. The inherent risk exposure to DWR lies primarily in its ability to effectively maintain a close oversight to ensure

each grantee's compliance and adherence to the stated contractual terms and conditions and to provide reasonable assurance that these funds are expended as intended to achieve the program objectives. Another concern is the large volume of data and timely reporting requirements under new bond laws.

Response

DWR's IAO is working closely with its divisions/offices to ensure an effective oversight of all bond funds expended and full compliance with contract grant terms and conditions by all grantees. On-site audits are planned. Additional oversight has been provided via external audits performed by the State Controller's Office, the Bureau of State Audits, the Department of Finance, Ernest & Young and Richardson & Company over the past two years.

DWR is also in the process of developing a specialty bond and grant management system with porting compatibility to facilitate the transfer of data required for management information and analysis reports. This will streamline the information reporting process and eliminate duplicative efforts for staff.

(2) Availability of Budgeted State Funds

In 2009, the State's fiscal crisis delayed the availability of bond and other funds for flood prevention, integrated regional water management, emergency drought response and other key water management and flood protection projects.

Response

DWR secured an emergency exemption from the Department of Finance for critical flood protection and drought response projects. This allowed work on some projects to continue. Now, with additional bond funds available following 2009 bond sales, DWR is able to move forward on additional water management and flood projects to protect lives and ensure greater water supply reliability throughout the state.

B. WORKFORCE

DWR has identified three workforce-related concerns as follows:

(1) Recruitment and Retention of Skilled Workers

The differential in the pay scales between the state and private industry for trades and crafts staff is a growing impediment to attract and retain highly-skilled and experienced technical, safety, policy and program staff. This, together with an aging workforce, is expected to result in a serious shortage of qualified staff in the future which will impact DWR's ability to operate its SWP facilities and deliver water.

Response

DWR's Human Resources (HR) will continue to work with the Department of Personnel Administration (DPA) in an effort to address the salary issues and recruitment and retention of skilled workers. This includes advocating for approval to fast track certain job classifications with a historical record of recruitment and retention difficulty under the State's HR modernization pilot program.

(2) **Staff Turnover and Retirements**

The average age of a DWR employee is between 45-50 years old. Within the next five years, the rate of departmental retirements will significantly increase. The level of risk exposure to DWR and its operations will grow as experienced and knowledgeable staff leave the workforce.

Response

DWR will increase its ongoing succession planning, training and recruitment activities to minimize impacts from anticipated employee retirements and turnovers.

(3) **Specialist versus Supervisor Position Salary Level Alignment**

In many classifications, the pay level of a Specialist position is parallel to that of a Supervisory position in DWR. This creates a disincentive to recruit and retain supervisors because there is no compensatory incentive to apply for a supervisory position especially with all the additional administrative responsibilities.

Response

DWR should consider a review of the pay structure of its supervisory level positions with the assistance from the DPA and SPB with an eye toward creating a supervisory pay incentive for those who chose to take on that added responsibility.

C. SAFETY

DWR has identified one safety-related concern as follows:

(1) **Safety**

Overall safety and a zero-incident goal is a top priority within the normal course of operations at all facilities operated and maintained by DWR.

Response

DWR continues to strengthen its management and working level safety activities and make investments in staff safety training and equipment. To further coordinate these efforts, DWR has created a new management position to serve as the Assistant Director for Safety with department-wide oversight to develop, plan, organize, direct and control DWR's safety program.

D. GENERAL ADMINISTRATION

DWR has identified two general administrative-related concerns as follows:

(1) **Department Operational Recovery Plan**

DWR's Division of Technology Services (DTS) provides all information technology-related services to DWR and the California Natural Resources Agency. Services include, but are not limited to, the operations and maintenance of data centers, software programs, network infrastructure and day-to-day computer support

services. Until recently, some of the hardware and software associated with these activities were not fully updated and could have been vulnerable to failure or data loss.

Response

DWR is implementing its Operational Recovery Plan which includes a master disaster back-up plan for critical data and secondary individual critical division-relevant data recovery plans for its various divisions and offices.

(2) Acquisition of Goods and Services

The SWP is the largest state-built, multi-purpose water project in the country, delivering water statewide to its agricultural, industrial and domestic users. Its on-going operation and maintenance requires securing necessary goods and services on a timely basis.

Four categories comprise the majority of DWR's acquisition of goods and services:

- (i) Consulting (personal services) contracts
- (ii) Construction (i.e. levee repairs, etc.) contracts
- (iii) Land / Easement Acquisitions, and
- (iv) Architectural and Engineering contracts

The state's procurement and contracting process can be costly and time consuming.

Response

DWR will identify and classify mission-critical items within the four acquisition categories and requests a streamlined process exemption. DWR will work with Department of General Services (DGS) within the identified areas of DGS' acquisition policies and procedures to enable DWR to increase its efficiency in fulfilling its critical mandated charter objectives of the SWP.

CONCLUSION

This document provides an overview of the Department of Water Resources FISMA report on the review of our system of internal controls for the biennial period ended December 31, 2009. The FISMA report outlines the risk assessment survey process undertaken, the methodology for risk selection, development of control features, remediation methods and corrective action plans to mitigate current and future risks.

DISTRIBUTION

- 1 – Governor
- 1 – Legislature
- 1 – Director, Department of Finance
- 1 – State Auditor
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- 1 – Agency Secretary, The California Natural Resources Agency
- 1 – Director, Department of Water Resources
- 1 – Chief Deputy Director, Department of Water Resources
- 1 – Office of the Chief Counsel, Department of Water Resources
- 5 – Deputy Directors, Business Operations, California Energy Resources Scheduling, Delta and Statewide Water Management, Integrated Water Management, and State Water Project, Department of Water Resources
- 1 – Policy Advisor, Department of Water Resources
- 1 – Assistant Director, Legislative Affairs, Department of Water Resources
- 1 – Assistant Director, Public Affairs, Department of Water Resources